

## Message Text

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TO AMEMBASSY KINSHASA PRIORITY

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SUBJECT: EXIMBANK MEETING WITH SENIOR GOZ OFFICIALS

REF: KINSHASA 7341

1. EXIMBANK BOARD OF DIRECTORS AND OFFICERS CONCERNED WITH ZAIRE MET WITH GOVERNOR SAMBWA AND MINFIN BOFOSSA SEPTEMBER 27. CHAIRMAN DUBRUL REVIEWED STATUS OF DRAFT PAYMENT FACILITY AGREEMENT (AGREEMENT ),  
INDICATING THAT IN ORDER TO PERSUADE BANKERS TRUST TO WITHDRAW ITS SUIT RELATING TO AGREEMENT WE INTENDED TO SEND THAT BANK A LETTER STATING EXIMBANK: (1) WOULD CONSIDER TERMINATING AGREEMENT WHEN GOZ HAD ELIMINATED DEBT ARREARAGES AND ESTABLISHED NORMAL CREDITOR CONFIDENCE, (2) AGREED WITH THOSE WHO HAVE ASSERTED THAT AGREEMENT SHOULD NOT BE CONSIDERED A PRECEDENT FOR LENDING TO GOZ, AND (3) CONSIDERED AGREEMENT NECESSITATED IN THIS CASE, HOWEVER, BY PARTICULAR SET OF EXISTING CIRCUMSTANCES.

2. DISCUSSION THEN TURNED TO EXIMBANK AND GOZ DRAFTS OF MEMORANDUM  
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OF UNDERSTANDING SETTING FORTH POSITION OF BOTH PARTIES ON AGREEMENT

ISSUE. IN FURTHER GESTURE OF COOPERATION, EXIMBANK AGREED TO ACCEPT FRENCH LANGUAGE GOZ VERSION OF MEMORANDUM WHICH WAS SIGNED BY DUBRUL AND SAMBWA. TRANSLATION OF TEXT AS FOLLOWS:

QUOTE: MEMORANDUM OF UNDERSTANDING  
DURING THE LAST THREE YEARS, THE REPUBLIC OF ZAIRE AND EXPORT-IMPORT BANK OF THE UNITED STATES (WXIMBANK) HAVE BEEN COOPERATING IN THE FINANCING OF THE INGASHABA PROJECT.

IN EFFECT, THIS PROJECT - FOR WHICH, SINCE NOVEMBER 1973, EXIMBANK HAS ALREADY APPROVED TO ZAIRE A DIRECT CREDIT AND ISSUED GUARANTEES FOR LOANS BY SEVERAL COMMERCIAL BANKS FOR AN AMOUNT OF 238.5 MILLION - WILL PERMIT THE TRANSMISSION OF ELECTRICITY FROM INGA TO THE COPPER DEPOSITS IN THE REGION OF SHABA.

THE INITIAL FINANCING, HAVING ALMOST BEEN ENTIRELY DISBURSED, AN ADDITIONAL ASSISTANCE IN THE FORM OF A LOAN AND GUARANTEE FOR ABOUT \$68.5 MILLION IS NECESSARY TO FINANCE THE NECESSARY U.S. COSTS TO COMPLETE THE PROJECT.

EXIMBANK HAS AGREED TO AUTHORIZE SUCH FINANCING UNDER CERTAIN TERMS AND CONDITIONS AND IT HAS BEEN INFORMED THAT IT IS ESSENTIAL TO HASTEN THE DISBURSEMENT OF THE FINANCING TO PERMIT THE PRINCIPAL CONTRACTOR, INGA-SHABA CONSTRUCTORS, TO OBTAIN THE FUNDS AS SOON AS POSSIBLE TO COMPLETE THE PROJECT.

AN IMPORTANT CONDITION PRECEDENT TO DISBURSEMENT OF THESE NEW FUNDS IS THE CONCLUSION OF A PAYMENT FACILITY AGREEMENT.

EXIMBANK AGREES, FOR ITS PART, TO APPLY THE PAYMENT FACILITY AGREEMENT TO COVER ONLY THE NECESSARY SUMS FOR COMPLETING THIS PROJECT, FOR WHICH THE COST IS ESTIMATED AT \$68.5 MILLION, AND FOR A NEW LOAN TO GECAMINES IN THE AMOUNT OF \$20 MILLION.

THE REPUBLIC OF ZAIRE, WHICH DESIRES, ON ITS PART, TO SIGN PROMPTLY THE PAYMENT FACILITY AGREEMENT RELATING TO THE SUPPLEMENTARY FINANCING FOR SNEL, AS WELL AS GECAMINES, DRAW ATTENTION TO THE FOLLOWING POINTS WHICH ARE CONDITIONS TO THE SOLUTION OF THIS PROBLEM:

1. AS IT HAS DECLARED DURING THE MEETING WITH THE COMMERCIAL BANKS LIMITED OFFICIAL USE

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ON SEPTEMBER 2 AND 3 IN LONDON, ZAIRE INTENDS TO RESPECT STRICTLY THE PRINCIPLE OF EQUAL TREATMENT VIS-A-VIS ITS VARIOUS CREDITORS;

2. IN REGARD TO THE SUPPLEMENTARY FINANCING, CITIBANK AND BANKERS TRUST TO HAVE ENDED ANY LEGAL ACTION THAT THEY HAD INITIATED AGAINST EXIMBANK:

(A) THIS DECISION, MUST BE OFFICIALLY NOTIFIED TO ZAIRE AND IN WRITING ON ONE HAND BY EXIMBANK AND ON THE OTHER BY THE TWO BANKS;

(B) THESE TWO BANKS OBLIGATE THEMSELVES TOWARD ZAIRE AND IN WRITING TO NOTIFY THE OTHER COMMERCIAL BANKS THAT THE UNDERSTANDING BETWEEN THEM AND EXIMBANK IS EXCEPTIONAL AND APPLIES ONLY TO THE SUPPLEMENTARY

FINANCING OF THE INGA-SHABA PROJECT AND THAT IT CANNOT, IN ANY CASE, BE CONSIDERED AS A PRECEDENT WITH REGARD TO NEW LOANS TO BE OBTAINED BY ZAIRE;

(C) ZAIRE, ON THE OCCASION OF THE OCTOBER MEETING IN NEW YORK, WILL REFER TO THE POINT MENTIONED ABOVE.

ASSUMING STRICT ADHERENCE TO THE AFORE-MENTIONED UNDERSTANDING ZAIRE COULD CONCLUDE WITH EXIMBANK THE LOAN AGREEMENTS CONCERNING THE INGA-SHABA PROJECT AND THE ASSISTANCE TO GECAMINES AS SOON AS POSSIBLE.

DATED: SEPTEMBER 27, 1976

SIGNED: STEPHEN M. DUBURL, JR., PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES AND SAMBWA PIDA NBAGUI, GOVERNOR, BANK OF ZAIRE. END QUOTE.

SIGNATURE BY SAMBWA APPEARED FACILITATED BY HIS RECEIPT EARLIER IN DAY OF TELEX FROM CITIBANK STATING ITS SUIT BEING WITHDRAWN AND LETTER FROM BANKERS TRUST, DELIVERED JUST PRIOR TO MEETING, STATING IT HAD RECOMMENDED TO ITS SYNDICATES THAT THEIR SUIT ALSO BE DROPPED.

3. SAMBWA INDICATED HE WOULD INFORM KINSHASA AND MORRISON-KNUDSEN RE MEMORANDUM OF UNDERSTANDING ASAP. CHAIRMAN DUBURL PLACED EMPHASIS ON M-K'S NEED TO DRAW ADDITIONAL INGA-SHABA FUNDS BY OCTOBER 31, AND STATED EXIMBANK'S WILLINGNESS TO SEND LOAN OFFICER-LAWYER TEAM TO KINSHASA TO DISCUSS PAYMENT FACILITY AGREEMENT PLUS RELATED CREDIT AGREEMENTS WITH BORROWING AND IMPLEMENTING AGENCIES. OBJECTS OF TRIP WOULD BE TO DEVELOPE FINAL SIGNATURE COPIES OF ALL AGREEMENTS AND LIMITED OFFICIAL USE

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REVIEW DETAILS OF PAYMENT FACILITY OPERATION WITH BOTH BORROWERS (SNEL AND GECAMINES) AS WELL AS SOZOCOM AND OTHER GOZ AGENCIES. SAMBWA INDICATED GOZ WOULD WELCOME VISIT; HOWEVER, EXIMBANK CONCERNED

THAT AGENCIES SUCH AS SOZOCOM MAY NOT BE FORTHCOMING UNLESS STABILIZATION COMMITTEE OR OTHER HIGH LEVEL GOZ ACTION TAKEN. EXIMBANK WOULD, THEREFORE, APPRECIATE EMBASSY DISCUSSION SITUATION WITH GOZ (POSSIBLY BISENGERANA) AND ADVICE ON TIMING OF TRIP. MILBANK-TWEED (COUNSEL TO SNEL AND GOZ) REPRESENTATIVES WILL PROBABLY ARRIVE SHORTLY BEFORE EXIMBANK TEAM. EXIMBANK QUESTIONS WHETHER WEEK OF IMF/IBRD MEETING WOULD BE USEFUL PERIOD GIVEN ABSENCE OF MANY SENIOR GOZ OFFICIALS WHOSE PRESENCE COULD BE NECESSARY TO EXPEDITE PROCEEDINGS.

4. AT CONCLUSION OF MEETING DUBURL REMINDED SAMBWA THAT EXIMBANK

WOULD NOT DISBURSE INGA-SHABA OR GECAMINES FUNDS UNLESS GOZ WAS CURRENT ON ITS OBLIGATIONS TO EXIMBANK OR LENDERS GUARANTEED BY EXIMBANK. DETAILED LIST OF INTEREST DUE JULY 1 - DECEMBER 31, 1976, (NOT SUBJECT TO RESCHEDULING) DISTRIBUTED. COPIES PASSED TO AF/C, BEING POUCHED TO EMBASSY IN RESPONSE REFTTEL, AND DISTRIBUTED TO IMF AND IBRD. LIST INDICATES GOZ PAID INTEREST OF \$6.2 MILLION SINCE JULY 1 AND IS IN DEFAULT ON INTEREST OF \$4.3 MILLION. INTEREST DUE FOR REMAINDER OF YEAR PROJECTED AT \$0.3 MILLION. SAMBWA EXPRESSED HIS UNDERSTANDING THAT EXIMBANK DIRECT AND GUARANTEED EXPOSURE MUST BE CURRENT BEFORE DISBURSEMENT OF NEW FUNDS COULD TAKE PLACE. ROBINSON

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